

February 2017 Newsletter



Dear Customer

UK Gas and Electricity market prices continued their volatile trading pattern (although across a short price range) as the weather turned colder. Milder weather from the middle to late January supported downward pressure on prices but revised weather models at the end of the month showing colder conditions across the UK and Northern Europe together with gas storage worries and Russian flow disputes into Europe drove speculators back in.

Main Drivers

- Winter Supply and Demand Balance
- LNG supply deliveries
- Financial Speculation & Trading Activity
- Norwegian Plant Maintenance & Outages
- Decline in UK coal plant activity
- Fluctuating wind power generation
- UK Distribution & Transportation Network Upgrade
- UK Government Environmental Levies (RO/FiT/EMR CfD & CM)
- UK & European Carbon Prices

General Comments

UK gas prices were initially driven by colder weather forecasts for the UK through the start of the month and at a time when the UK Rough gas storage facility was only able to provide limited gas flows to the system. Minimal LNG tanker deliveries and much colder weather for central Europe also gave support to prices across the continent which in turn filtered through to the UK.

Cold weather across Europe and continued problems with French nuclear power stations helped electricity prices follow the gas market. The UK generated a record amount of electricity from gas to send to France as they struggled with winter weather to the point RTE (French network operator) asked French citizens to turn down their heating by 1 degree and offices to reduce printing to help the network cope.

The forecast of warmer weather towards the end of January helped ease prices although there were signs of a return to colder weather in the early part of February which kept premiums in place.

Oil prices remained bullish to trade between \$55-\$60 as the OPEC cuts announced in November appeared to be taking effect however further gains were capped as US producers took advantage of rising prices to increase shale extractions counteracting the OPEC reductions.

Global LNG supplies were still mainly heading to Asian markets as the higher gas prices against the UK and Europe markets made the destination more desirable for US and Australian producers.

Water: English market de-regulation update

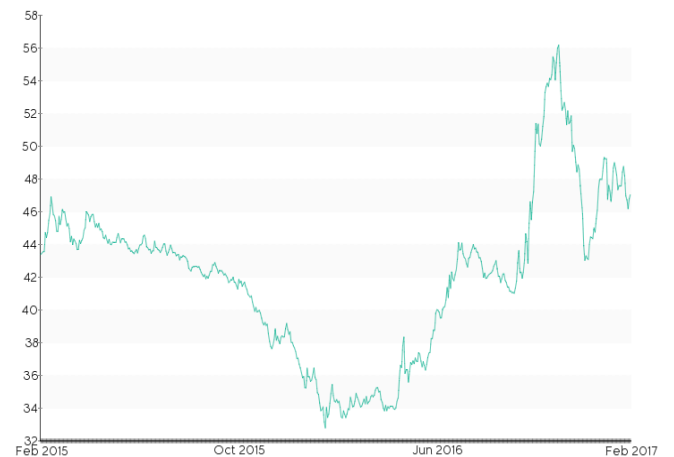
The main water suppliers are yet to issue set fixed prices as they wait for OFWAT to confirm the actual wholesale pricing for this year.

Prices are available through a number of new fringe suppliers but these are not 100% fixed in most cases.

Our understanding is fixed prices should be confirmed later this month and we will be in contact with the relevant options where available.

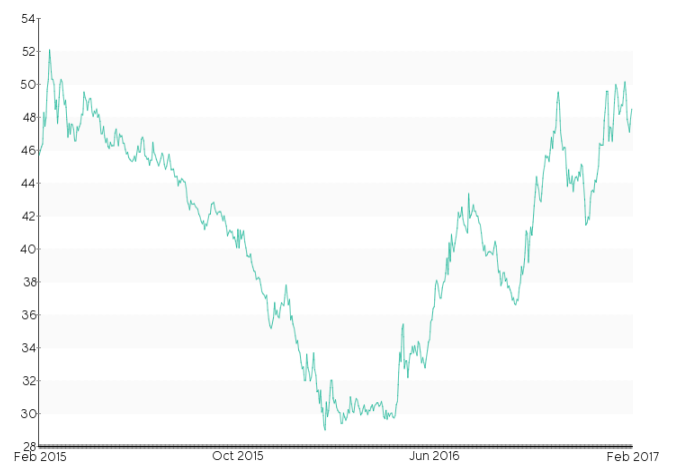
Electricity

Annual Forward Baseload Price (Flat Cost)



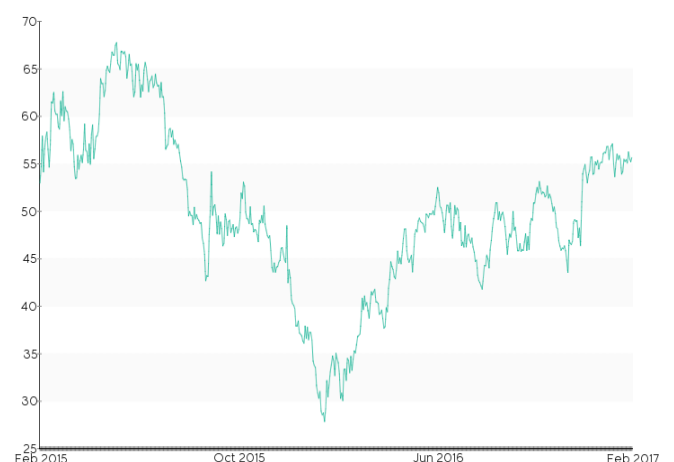
Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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Note: All information was obtained from wholesale market data sources. Energy Services accepts no liability for the accuracy of any third party market information.